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## Colloquium Brief: Kingston Conference on International Security (KCIS-2012): International Security in an Age of Austerity

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A Partnership Between

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### Key Insights.

- While the threat of another recession seems to have receded for now, the new economic reality facing Western states is one of low growth, high debt, and fiscal restraint. The "age of austerity" is here to stay. Decreasing resource levels are a persistent trend and will negatively affect future defense budgets.
- A strong national economy is the fundamental basis of a robust security policy.
- Austerity pressure will result in a shift in the perceptions by Western states of what constitutes national vital interests and therefore what constitutes justification for a military response to a security environment threat.
- Austerity will reduce the range of tools available to policymakers for executing

national security strategies. Western armies and government agencies are no longer capable of "doing the same with less"; reductions in funding could well lead to a model where national armed forces must do "less with less" as existing capabilities erode.

- Western armies must develop a broad coalition beyond the defense establishment to support predictable military spending and ensure professional military judgment is integrated into resourcing decision processes.
- Military force development must balance risk between effectiveness (professional judgment) and efficiency (bureaucratic valuation process) prioritization outcomes.
- Prioritizing operational capability sets that support combat operations (traditional offense/defense, counterinsurgency (COIN), and counterterrorism) with shaping operations (whole of government, security cooperation, stability operations, and building partner capacity) are at the heart of the military implications debate.
- Although the "pivot to Asia" by the Obama administration represents a shift in America's strategic orientation, traditional threats—frontier clashes, great power balancing, and terror/crime/piracy—will accompany new threats such as state-sponsored militaries engaged in interstate conflict. The question of whether Western militaries will be able to meet these threats will ultimately depend on how effectively they weather this period of economic uncertainty.
- Demands for austerity measures will increase the need for and acceptability of the military's reliance on multilateral engagements, the pooling of collective capabilities, whole of government approaches, and contracted outsourcing as alternative means for responding to security environment threats and executing national strategy choices.
- The development and retention of professional expert knowledge is critical to developing informed consumer skills (contract oversight) and for retaining the discretionary professional judgment authority for the employment of force; with increased reliance on outsourcing and contract support.

## Introduction.



strategies for coping with these threats in a period of dramatically declining defense expenditures.

The conference was attended by more than 90 government officials, academic experts, think tank members, and U.S. and Canadian military personnel, and included a variety of presentations that sought to outline the factors that will shape the defense posture of Western states now and in the future.

While the recession triggered by the 2008 financial crisis seems to have abated in North America, the effects of the collapse of the U.S. financial sector are still being felt worldwide. Several European states are teetering on the edge of bankruptcy, while even those countries that have managed to avoid outright insolvency, such as the United States and the United Kingdom, have amassed unsustainable levels of government debt. Confronting the fiscal challenges facing Western countries will require dramatic reductions in government spending, which includes funding related to security and defense. While it is clear that Western countries are now entering a period of austerity, a number of questions remain unanswered.



Of particular relevance is the manner in which governments should manage competing priorities, such as balancing the need for security against the desire to rein in massive deficits. In a world plagued by threats from a host of state and nonstate actors, should national militaries seek to retain existing capabilities, albeit on a smaller scale, or should they



sacrifice one aspect of their defense posture to retain a decisive advantage in another? If so, what impact will these shifts have on how countries conceptualize threats to their security and, perhaps more importantly, how they respond to instability abroad? At the same time, if a choice must be made between competing priorities, would it be more prudent to focus on combat capabilities that provide the capacity to prevail in the battle space on the one hand or on the other hand, by investing in security cooperation and stability operations that shape the security environment? Both positions have merit, but in an era of economic instability, retaining the capabilities to maintain extensive combat capabilities as well as the ability to conduct stability operations in failed or fragile states may be a luxury that many countries cannot afford. How then, should nations balance these conflicting pressures and ensure that the resources allocated to defense spending are used as efficiently as possible? How can the armed forces obtain support from national governments that may be forced to choose between military spending and domestic entitlements?

Ultimately, KCIS 2012 sought to explore these questions and suggest different ways forward as defense budgets enter a period of steady decline. As the age of austerity shows no sign of drawing to a close, this conference represented a valuable opportunity to discuss policy options with a number of key experts, observers and stakeholders in the broader defense community, and contribute to a dialogue on how best to cope with the changes to come.

## The Keynote Addresses

While much of the discussion at the conference took place during the five panels, two keynote speakers addressed particular topics related to international security, declining defense budgets, and managing transition in an age of austerity: Lieutenant General (Ret.) Keith Dayton of the U.S. Army and now Director of the George C. Marshall European Center for Security Studies spoke about “The Future of International Security: Security Considerations in a Time of Austerity”; and Lieutenant-General (Ret.) Mike Jeffrey of the Canadian Forces discussed “The Profession of Arms in an Age of Austerity.”

Drawing on his decades of experience in the U.S. military, Lieutenant General Dayton sought to identify the security challenges that Western states will face in coming years, while at the same time highlighting the factors that will influence their response to threats from abroad. He highlighted a number of potential sources of insecurity, ranging from instability in failed and fragile states, to the continued threat of terrorism and the illegal activities of criminal syndicates,

human traffickers, and pirates. In doing so, he predicted that the challenges faced by Western countries will remain relatively static, even as the factors that shape their response will shift over time. In particular, he focused on the systemic changes taking place in the international system. One was the changing nature of the global economy, marked by the rise of the so-called “BRIC”—the fast-growing emerging markets of Brazil, Russia, India, and China—as well as the impact of the ongoing financial crisis. Another was the projected decline in defense budgets in Western countries, and the “intervention fatigue” resulting from prolonged interventions in Afghanistan and Iraq. Citing the U.S. example, Dayton argued that the range of threats and the inability to predict which threats will emerge in the future will force Western governments to adopt a flexible array of military capabilities that will give them the ability to fight these ambiguous threats. This flexibility would in turn be enhanced by strengthened multilateral alliances with like-minded states in order to pool scarce resources. Overall, he emphasized the role of a strong national economy as the foundation of a robust security policy, an issue of paramount importance in the current climate of economic uncertainty, as well as the need to retain flexible capabilities in order to combat a wide range of threats in a rapidly evolving security environment.

Unlike Lieutenant General Dayton, who set the stage for the conference by outlining the security challenges facing states in the future, Lieutenant-General Jeffrey’s address focused on operational and budgetary considerations, and in particular, on strategies for militaries confronted with dramatic cuts to their budgets. Drawing upon his own experience as the head of the Canadian Forces (CF) during the 1990s, Jeffrey argued that national militaries must find a balance between effectiveness and efficiency when identifying spending priorities, while at the same time making the case for stable funding levels to a range of policymakers and stakeholders. In Jeffrey’s experience, maintaining the credibility of the armed services is the key to success in this area; military officials must cultivate relationships with civilian policymakers to ensure that the needs of the military are understood by all branches of government. Central to this process is the formation of mutually beneficial partnerships between the bureaucracy and the armed services in order to leverage the needs of other government departments to get defense priorities met. Also critical to this process is the development of an in-depth understanding of the nuances of bureaucratic culture in order to provide the military establishment with the experience necessary to create linkages with other branches of government. In essence, Jeffrey stressed the need to build and maintain a broad coalition that is supportive of greater predictability in military spending to maximize efficiency in allocating those resources, and to go beyond the defense establishment in

doing so. This is an issue of paramount importance in any situation where national governments are seeking to cut costs, because it provides military personnel with additional opportunity to provide input into the decisionmaking process.

While the two keynote speakers addressed different aspects of the challenges facing policymakers in an era of austerity, there were several common themes in each of the presentations. First, both speakers emphasized the need to identify threats (and thus spending priorities) in an international environment that is both unpredictable and unstable. Given the variety of tasks that Western militaries perform, ranging from suppressing insurgencies in Afghanistan to policing the waters off the Somali coast against the threat of piracy, the need for a broad range of capabilities is readily apparent. At the same time, both speakers stressed the impact that domestic economic problems can have on military spending, particularly by creating challenges for national armed forces as they seek to retain core capabilities in a variety of areas. The spending cuts that the CF underwent in the 1990s formed the conceptual basis for much of Jeffrey's remarks, and these cuts were triggered by the need to tackle Canada's unsustainable debt levels and massive federal deficit. A similar situation to that which is now occurring in Europe and North America, where cash-strapped governments are struggling to curb public debts through the imposition of austerity measures. As a consequence, drawing lessons from past experiences can help policymakers develop strategies for dealing with future challenges, whether at home, where defense spending is being curtailed, or abroad, where the rise of new threats jeopardize the stability of the international system.

## Panel I: Identifying Threats, Vital Interests, and Core Values.

The first panel examined the perceptions of Western nations concerning what constitutes a national vital interest in an age of austerity, as well as the ways in which threats, interests, and values determine the resources allocated to defense and foreign policy initiatives, and in particular, the use of force. Panel members and their presentations included Rear-Admiral Ron Lloyd, Chief of Force Development for the Canadian Forces, and Ambassador Lincoln P. Bloomfield, Chairman of the Stimson Center in Washington, DC.

As a military officer with substantial experience in matters related to strategic planning, Rear-Admiral Lloyd sought to impart a practitioner's perspective on the formation of Canada's defense and foreign policy priorities. In particular, Lloyd emphasized the importance of capabilities-based planning, which he defined as examining the range of threats facing the Canadian state and finding a balance between the needs of the CF and the resources that are available to fulfill its mandate. As part of this process, military officials can expect to analyze relevant information regarding both capabilities and national interests, identify and assess threats, and integrate these conclusions in a detailed planning process. In the Canadian context, it was argued that the CF would continue to emphasize COIN and asymmetrical warfare, as well as other nonconventional threats to Canadian security. However, Lloyd also highlighted the fiscal constraints facing the CF in coming years, as well as the importance of multilateral engagement with like-minded partners. In essence, he stated that CF must remain an agile force capable of meeting threats to Canadian security either at home or overseas, while at the same time adapting to an environment characterized by economic uncertainty and proliferating threats abroad.

While Rear-Admiral Lloyd chose to address the process of defense planning from a military perspective, Ambassador Bloomfield sought to highlight the linkages between military and civilian agencies, as well as the importance of "soft power" more generally. For Bloomfield, one of the detrimental effects of austerity at the national level is the impact that it has on civilian bureaucracies; for example, hiring freezes force departments into "survival mode" and reduce the nonmilitary capabilities available to tackle global challenges. This in turn increases the burden on the armed forces, which are called upon to perform tasks for which they are not necessarily well suited, while at the same time reducing the effectiveness of civil-military collaboration. Austerity also reduces the range of tools available to policymakers, who must use military assets to respond to crises in which a nonmilitary approach might be more efficient. From an American perspective, this is an issue of particular concern. Since America's position in the international system depends, at least in part, on its ability to exercise soft power through effective statecraft, competent planning, and strategic wisdom, any process that weakens its nonmilitary capabilities has the potential to impact its ability to shape developments abroad. As a consequence, Bloomfield emphasized the need for more robust engagement between civilian and military actors, as well as for the maintenance of assets that allow the United States to project its soft power beyond its borders and influence the course of events far from its shores.

While Lloyd and Bloomfield approached this topic from very different perspectives, the common theme that emerged in both presentations was the importance of multilateral engagement. Whether in the operational context, where countries can pool resources to achieve mutual goals, or in the diplomatic arena, where soft power can influence outcomes through nonmilitary means, the need for effective collaboration with other states is clear. This is particularly true in difficult economic times, since states will have fewer resources to devote to maintaining international stability. As a result, the advent of austerity necessitates a high degree of cooperation both at the domestic level, between the military and their civilian counterparts, and in the international arena, where countries will need to cooperate in order to advance their foreign policy agendas.

## Panel II: Framing the Strategic Options

The second panel expanded on the themes addressed by the first panel by examining the strategic options and alternative approaches available to Western states in the coming years, as well as the manner in which smaller defense budgets will shape the security strategies of countries in three national contexts—Canadian, American, and Australian. Panel members included: Dr. Phillip Lagassé of the Graduate School of Public and International Affairs at the University of Ottawa; Dr. Steven Metz of the Regional Strategy Department of the Strategic Studies Institute at the U.S. Army War College; and Dr. Frank Milne of the Department of Economics at Queen's University.

Similar to the comments by Lieutenant-General Jeffrey, Dr. Lagassé drew a parallel between the fiscal challenges that Canada confronted in the 1990s and those that the country is enduring today. However, while he conceded that the cuts that the CF will face in coming years are less severe than those that occurred 2 decades ago, he also suggested that the strategies pursued by military officials in the past may not be appropriate to the situation that Canada is currently experiencing. In particular, Lagassé took issue with the belief that the current bout of austerity will be short-lived, an attitude prevalent among military planners both in the 1990s and today, and which led to a decision to preserve core capabilities in the hopes that they would be rebuilt relatively quickly. Instead, he suggested that the trend for declining budgets may be a persistent feature of future defense expenditures, meaning that core capabilities that are degraded now may not receive additional funding for many years, if at all. In light of this grim economic reality, it may therefore be more efficient for the CF to embrace a doctrine of “smart defense,” which would entail pooling resources and developing niche capabilities, rather than maintaining a full spectrum of military assets. To do otherwise might result in the gradual degradation of all of the CF’s

capabilities, as it attempts to stretch a shrinking defense budget to maintain an unsustainable range of military assets.

Rather than focusing on the military response to austerity, the second and third presenters sought to examine the domestic political realities that will shape American and Australian foreign policy in the coming years. For Dr. Metz, the unwieldiness of the U.S. political system acts as a constraint to flexible policymaking, since the difficulties inherent in achieving cooperation mean that strategies tend to remain relatively fixed once a consensus has been reached. As a result, it requires a substantial shift in the prevailing environment to spark a debate on changing the status quo, conditions that Metz believes have been met in the wake of the 2008 financial crisis and the inconclusive conflicts in Afghanistan and Iraq. In terms of the possible outcomes of this debate, Metz argued that the desire of the U.S. to maintain its preeminent position on the world stage will not change, even if the manner in which it does so undergoes significant revisions. In this sense, U.S. global involvement is likely to remain relatively constant, while the form that engagement takes and the motivations behind it shift to reflect changing realities. Of course, Metz was also careful to point out that unexpected events still have the potential to dramatically alter America's interactions with the outside world; the strategic alternative selection process will be shaped by both external and internal pressures.

Dr. Milne, on the other hand, focused more explicitly on the economic and political factors driving defense policy in Australia, as well as on the contrasts between the Canadian and the Australian economies. In essence, Milne argued that Australia's ongoing commodities boom has engendered a sense of complacency that is at odds with the challenges facing the Australian economy. These include the high levels of private debt, the shortcomings of the manufacturing sector and the university system, and the lack of financial regulation. In addition, Milne argued that the current Labour government has proven to be inconsistent on issues related to defense, resulting in a lack of resources for the Australian military. As a consequence, tensions exist in Australia between the logic of austerity and long-term defense planning, resulting in a "stop and go" defense policy that actually has the potential to drive up costs without resulting in an improvement in military capabilities.

Although each of the panelists focused on a different country, the common theme in their presentations was the belief that a shift will occur in how Canada, the U.S., and Australia conceptualize their defense priorities in the future. For Canada, prolonged economic uncertainty may result in the CF focusing on the retention of certain core capabilities at the expense of others, rather than trying to maintain the full spectrum of military assets. In the U.S., the strategic reorientation resulting from the ongoing economic crisis may change the methods America uses to pursue its foreign policy objectives, even if the aims of its policies remain relatively constant. For Australia, the boom in the commodities market, largely driven by demand from emerging economies, may allow governments to delay painful choices, but the need for a coherent policy in long-term defense planning is still apparent. Overall, the theme of this panel was one of transition in the face of change, as states struggle to cope with a rapidly evolving international environment in a time of economic uncertainty.

## Panel III: Approaches to Reshaping the Defense Budget

The third panel dealt with the issue of restructuring in the armed forces and examined the ways different national militaries have sought to retain core capabilities, while at the same time lowering costs. Panel members and their presentations included: Dr. Marcus Kaim of the German Institute for International and Security Affairs (SWP), who spoke on “Approaches to Reshaping the Defense Budget: The Impact of the Financial Crisis on European and German Defense;” and Dr. Andrew Dorman of the Department of Defence Studies at King’s College London, who spoke on “Defence in an Age of Austerity: The United Kingdom’s Experience.”

While the second panel sought to predict how countries will respond to future economic challenges, the third set of presenters outlined how other states have grappled with these issues in the past. As Dr. Kaim made clear, the German experience is instructive in this regard, as evidenced by the significant transformation of Germany’s armed forces during the post-Cold War period. Although Germany has fared better than many European states in recent years, its military has still struggled during its transition to an all-volunteer force. Procurement has been curtailed, while many core capabilities have been retained. This emphasis on “breadth over depth” has maintained the range of capabilities available, while reducing their capacity for robust employment. As a solution to this dilemma, Kaim argued that Germany should push for greater collaboration between European states as a means to pool finite resources and increase cooperation at the

regional level. However, he also acknowledged the difficulties inherent in implementing such an initiative, including the tension between token and substantive cooperation, and the conflicting priorities of different partner states. In contrast, Dr. Dorman sought to evaluate the UK's *Strategic Defence and Security Review* (SDSR)—the assessment of the viability of strategies to meet the emerging security environment—in order to highlight the pros and cons of that document, as well as the factors driving British defense policy more generally. In terms of the SDSR, Dorman argued Britain's current defense strategy contains a number of significant gaps, such as its failure to address the implications of certain budget cuts. Perhaps more importantly, the SDSR also ignored important issues related to defense reform, industrial policy, the UK nuclear deterrent, and the reserves, while at the same time failing to resolve questions of where cuts will take place and the potential impact of negative economic growth. Dorman argued that the constraints imposed by austerity are not entirely negative; budget pressures will force officials to tackle otherwise sensitive issues and encourage change in the armed services more broadly. For the moment, however, the British military faces significant cuts to its budget, with the assumption that long-term rebuilding will take place; a situation that may or may not occur.

Although the challenges facing Britain and Germany are different in many respects, there are also significant similarities in how each state has responded to the logic of austerity. Both countries have sought to retain core capabilities, albeit on a lesser scale, while coping with lower levels of defense spending overall. In addition, both face prolonged periods of economic uncertainty brought on by instability in the European Union (EU), resulting in downward pressure on military spending in the UK and, at best, static defense budgets in Germany. While the British military has retained a more varied set of capabilities than its German counterpart, it has also been forced to make hard choices regarding its defense priorities. Overall, the experience of these two countries is instructive—it seems likely that “doing the same with less” will become the norm for many European militaries, particularly if the economic problems plaguing the EU continue to spiral out of control.

## Panel IV: From Strategy to Operations.

Previous panels focused primarily on the operational impact of shrinking defense budgets and the strategic choices that Western armies will have to make in the years ahead. Panel IV, on the other hand, focused on operational capabilities in this new era of austerity. The members of Panel IV included: Brigadier General William Hix of the Army Capabilities Integration Command of the

U.S. Army; Dr. David Betz, Department of War Studies, King's College London; Dr. Peter Gizewski of the Centre for Operational Research and Analysis at Defence Research & Development (R&D) Canada; and Dr. David Moore of the Centre for Defence Acquisitions at Cranfield University.

Seeking to address the challenges presented by the previous panels, Brigadier General Hix suggested that the U.S. Army will face a number of challenges in the coming years, including fewer resources, a broader mission, a changing threat environment, and a higher level of engagement with the rest of the world. He emphasized the importance of maintaining special operations capacity, and the need to retain a broad range of capabilities, even if it means *less* capacity in each of those capability areas. He also stressed the importance of multinational operations and cooperative partnerships. He indicated that the U.S. Army is attempting to address these challenges by instituting a range of measures, from modernization, to an emphasis on institutional development and a “continuous campaign of learning” meant to identify and test new techniques. This process is a vital step in maintaining the Army’s credibility as a highly capable force, which in turn allows it to fulfill its mandate and defend American interests.

While Brigadier General Hix’s presentation focused on how the U.S. Army was preparing for future operations, Dr. Betz sought to analyze the form that those operations would take. In doing so, he sought to address the ongoing debate between those who believe that future conflicts will involve COIN operations and those who think that conventional warfare will re-emerge as the dominant form of interstate conflict. Dr. Betz made the case that future conflicts will conform to the COIN or a “hybrid” (a mix of conventional and asymmetrical warfare) model more closely than they will to conventional interstate warfare. He stated that intrastate violence is unlikely to subside in the near term, and large-scale warfare between states has been the exception rather than the rule throughout history. Thus, while inconclusive engagements in Afghanistan and Iraq may have sapped America’s enthusiasm for COIN operations and nation-building, this form of conflict is likely to be the norm for the foreseeable future. It would therefore be unwise to reorient America’s military posture toward fighting large-scale conventional conflicts, since these will not be the wars that the U.S. military will likely have to fight.

While the first half of this panel focused on the military operational implications of the strategic choices that Western governments will have to make, the final two presenters focused on implications for civil organizations. Dr. Gizewski focused on the “whole of government” approach, one adopted by most Western governments to heighten cooperation and enhance dialogue between various departments involved in operations abroad. His presentation outlined a number

of perceived benefits and flaws with this initiative. In particular, he argued that the advantages offered by this approach have not been properly substantiated, due in part to the failure to develop universal criteria for measuring gains, but also because evaluations often fail to take into account negative externalities such as the increased burden that a whole of government strategy places on civilian departments. Overall, he argued that, while the benefits and costs associated with this approach are unclear, whole of government initiatives are likely to remain an attractive option for policymakers. He suggested that future whole of government operations incorporate more sustained leadership, an enhanced strategic vision, more departmental incentives for participation, additional training for personnel, and lessons learned data collection and analysis to identify best practices, past mistakes, and expertise to facilitate effective information sharing.

In contrast to Dr. Gizewski, who focused on cooperation within government, Dr. Moore examined the linkages between the public and the private sector in the context of defense. Using the UK as a case study, Moore argued that to collaborate effectively with actors in the private sector, the British government must pursue a strategy that fosters enhanced knowledge of the marketplace among its public sector employees. While the question of how far the UK should go in outsourcing core services depends on prevailing conditions, the British government must still act as an “intelligent customer” by retaining and refining existing pools of knowledge, developing partnerships with existing actors, and training its personnel on how to navigate an unfamiliar environment. This issue is of particular importance due to the fact that one implication of austerity is an increased emphasis on contracting services to outside providers, meaning that the UK must adapt its practices to reflect this changing environment.

Although a range of topics was addressed by the presenters, the dominant theme of this panel was the importance of transmitting information and expertise within and between different branches of government. In the first presentation, the techniques employed by the U.S. Army to develop and test new ideas were outlined, as well as the importance of learning from past episodes of transition and change. This was followed by a discussion about how current planning is influenced by past experiences, and how these current plans in turn inform how the U.S. military will operate in the future. In the third presentation, the importance of learning from past experiences was once again emphasized in that many of the defects of the whole of government approach could be corrected by analyzing the successes (and failures) of past initiatives. Finally, the fourth panelist argued that fostering a pool of institutional knowledge is vital to effectively navigating the challenges imposed by austerity, since increased collaboration with the private sector will undoubtedly require states to develop a high degree of experience and expertise among

their departmental staff. Taken as a whole, this panel highlighted the crucial role that knowledge-and information-sharing plays in preparing militaries to tackle future threats, as well as the possibilities for improving existing programs.

## Panel V: Implications for the Military

The final panel of KCIS 2012 sought to outline the impact that proposed defense spending cuts will have on existing procurement and modernization strategies, with a particular focus on the effect that austerity will have on the CF and the U.S. Army. Panelists included: Martin Green, Director of Policy Planning at the Department of National Defence; Cindy Williams of the Security Studies Program at the Massachusetts Institute of Technology; and Major General Jeffrey J. Snow, Strategy, Plans and Policy, G-3/5/7, U.S. Army.

In assessing the impact that the current bout of global economic uncertainty will have on Canada, Mr. Green focused on the Canada First Defence Strategy (CFDS) as the benchmark for measuring Canadian security policy. Issued by the Canadian government in 2008, the CFDS outlines the core competencies of the CF and ensures predictable, long-term funding for modernization projects. While the advent of austerity has led to complications, both for Canada and its allies, Green remained confident that significant progress has been made toward achieving the goals set out by the Canadian government. In particular, he felt that the trend toward the use of high technology solutions would continue into the future, and that Canada will continue to face a mix of traditional and nontraditional threats in the years to come. In this sense, it was deemed vital to maintain a balanced and sustainable military in the long-term; a process that Green believed was largely being achieved.

The second presenter, on the other hand, was not so optimistic. In her presentation, "Implications for the U.S. Army," Dr. Williams argued that the cuts imposed by the Department of Defense (DoD) will be harsher and more severe than is generally believed, leading to a force that is smaller, lighter, and operating on a much smaller budget. To substantiate her claims, Williams cited the planned cuts to the defense budget imposed by the Budget Control Act in 2011, which mandated a reduction in military spending to 2007 levels. However, she also suggested that these projections may well underestimate the true nature of the cuts facing DoD; if spending was reduced to reflect the U.S. military's "proper share," funding levels could drop to 2001 levels. This is problematic because the costs associated with wages and medical care have greatly increased over

the past 10 years, meaning that the military, and particularly the U.S. Army, could see reductions in the area of 23 to 33 percent of its budget. Thus, while Dr. Williams believed that the U.S. Army is navigating its current transition fairly well, more acute challenges remain on the horizon.

The final member of the panel, Major General Snow, gave a brief presentation on “The U.S. Army and the Strategic Environment,” in which he outlined how the U.S. Army is weathering the transition. He argued that while a smaller budget and a new strategy (the “pivot to Asia”) present challenges for the U.S. Army, they are not insurmountable. Indeed, the U.S. Army conceptualizes its role as being able to “Prevent, Shape, and Win,” meaning that it seeks to deter aggression; engage with allies, partners, and other host-nation militaries; and emerge victorious in any conflict that it must wage. Throughout the course of his presentation, General Snow underscored the continued relevance of the U.S. Army, as well as its determination to evolve to meet existing and future threats.

Much like Panel II, the common theme in this panel was the manner in which countries are adapting to the logic of austerity. For Canada, which weathered the 2008 financial collapse better than its neighbor to the south, the need to trim deficits complicates the implementation of the CFDS, even if the process is still underway. In the United States, on the other hand, the effects of the recession were far more severe. This means that, to retain public support, significant cuts in the defense budget will have to accompany cuts to entitlement programs. Although the final two panelists disagreed over the implications of these cuts, there was a consensus that the U.S. military is entering a period of transition. Whether this transition will lead to a radical restructuring of the U.S. Army as Dr. Williams suggested, or to a gradual evolution as Major General Snow believes, is not yet clear. Nevertheless, it is apparent that North American militaries will undergo significant restructuring in coming years, particularly if fiscal challenges continue to constrain the ability of governments to provide stable funding.

## Conclusions: The Military Spending in an Age of Austerity

While many Western states are no longer experiencing an economic recession, the debt ramifications of the 2008 recession continue to be felt around the globe. Western states are struggling to reduce massive deficits, while the turmoil in the Eurozone shows no sign of abating. This financial chaos has significant implications for the armed forces of Western states, which are

struggling to maintain the capabilities necessary to ensure security in an international environment characterized by a diverse range of threats. In seeking to address the implications of these developments, a number of common themes were touched upon by most, if not all, of the presenters who participated in KCIS 2012. The first theme concerned the severity of the financial challenges facing Western states. While the threat of another recession seems to have been averted for the present, the new economic reality facing Western states is one of low growth, high debt, and fiscal restraint. It is unlikely that either North America or Europe will quickly regain the relatively high levels of economic growth that they enjoyed in the decade prior to the “Great Recession,” meaning that the age of austerity is here to stay. The second theme that can be identified in most of the presentations concerned the difficulties inherent in maintaining core capabilities in an era of diminishing defense spending. When faced with dramatic reductions of their budgets, Western militaries will have to resign themselves to doing “the same with less” for the foreseeable future, although reductions in funding could well lead to a model wherein national armed forces are doing “less with less” as existing capabilities erode. Throughout the Western world, budgetary constraints are forcing national militaries to choose between the retention of existing capabilities (albeit on a smaller scale) and the development of niche capabilities that reflect the limited resources available for security and defense. Whether this will lead to enhanced cooperation is unclear, although it will create powerful incentives for states to pool their resources when engaging in deployments abroad. Finally, the third theme concerns the nature of the threats facing Western countries in the coming years, as well as the manner in which those threats are conceptualized by policymakers. Although the “Asia pivot” represents a shift in America’s strategic orientation, there was widespread agreement that nontraditional threats to security will continue to be a significant source of instability. Whether in the form of state fragmentation and failure, transnational criminal activities, or asymmetrical warfare by state and nonstate actors, many of the challenges facing Western states in the future are unlikely to differ dramatically from those in the past. Whether Western militaries will be able to meet those challenges is less clear, and will ultimately depend on how effectively they navigate this period of economic uncertainty. What is clear, however, is that a profound shift is underway, and KCIS 2012 offers a valuable opportunity for dialogue between practitioners, policymakers, and academics concerning the security and economic challenges facing Western countries both now and in the future.

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